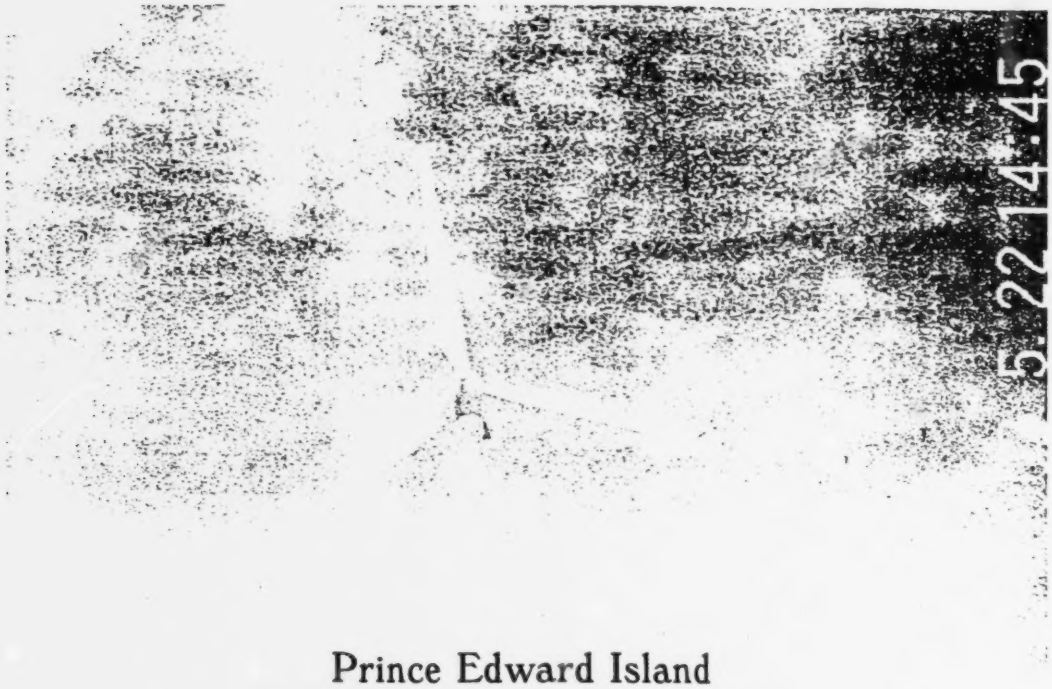

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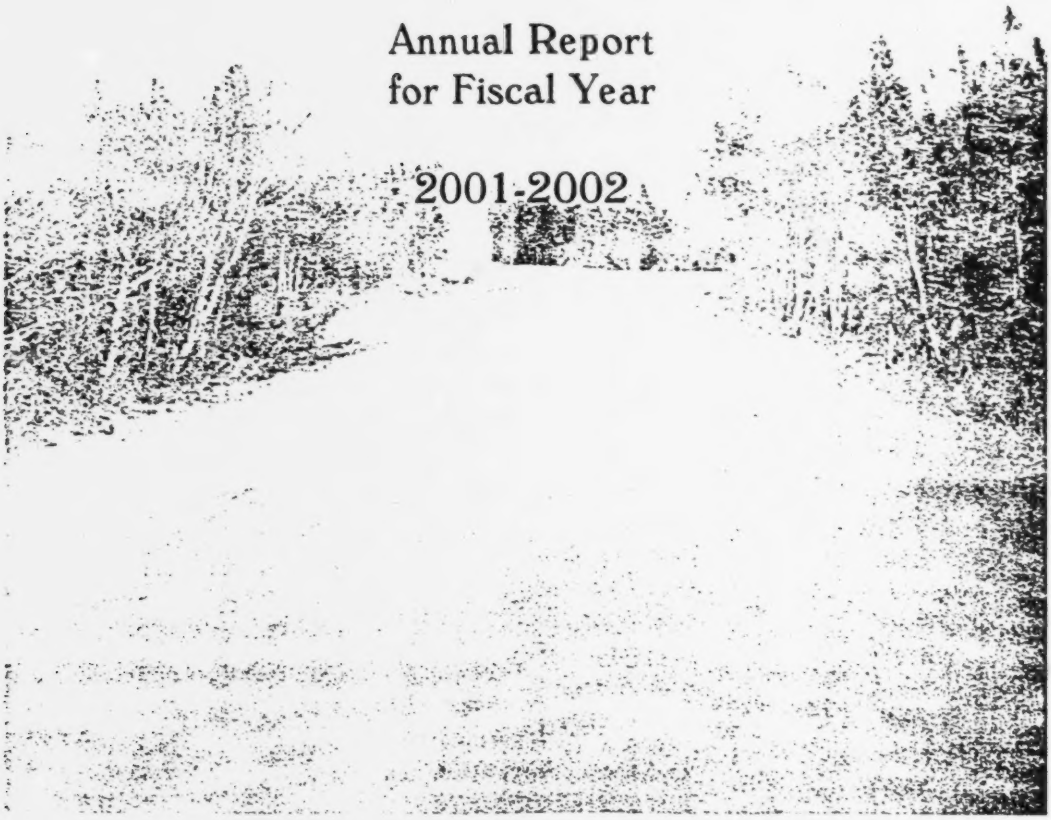
Prince Edward Island
ENERGY CORPORATION

Annual Report
for Fiscal Year

2001-2002



Board of Directors:

Paul Jelley, Chairperson
Deputy Minister of Development & Technology

Jeanette MacAuley, Vice Chairperson
Deputy Minister of Intergovernmental Affairs

Reagh Hicken, Treasurer
Department of Development & Technology

Wayne MacQuarrie, Secretary
Department of Development & Technology

Jim Young
Acting for Deputy Minister of Fisheries, Aquaculture & Environment

Steve MacLean
Acting Deputy Minister of Transportation & Public Works

Joe Murphy

Staff:

Wayne MacQuarrie, CEO

Melanie Jackson, Administrative Assistant

The Honourable Michael Currie
Minister, Development & Technology
P.O. Box 2000
Charlottetown, PE C1A 7N8

Dear Minister:

It is my pleasure to provide you with the attached Annual Report for the operations of the Prince Edward Island Energy Corporation. In addition to a summary of the activities of the Energy Corporation, the report also describes the operations of the Atlantic Wind Test Site Incorporated and provides financial statements for fiscal year 2001-2002 of both operations.

This report has been prepared and submitted in accordance with Section 10 (1) of the **Energy Corporation Act**.

Respectfully submitted,

Paul Jelley
Chairman
P.E.I. Energy Corporation

1.0 INTRODUCTION

This is the 20th Annual Report of the P.E.I. Energy Corporation and covers the periods April 1, 2001 to March 31, 2002. The Energy Corporation was established by the Energy Corporation Act in 1978 with a mandate to develop and promote energy systems on an economic and efficient basis. Since its inception, the Corporation has operated within the general framework of the provincial energy policy which is currently the responsibility of the Minister of Development and Technology.

2.0 BOARD OF DIRECTORS

The members of the Board of Directors and their terms of office as of March 31, 2002 were:

NAME	POSITION HELD	TERM OF APPOINTMENT
Paul Jelley	Chairperson	May 8, 2001 - at pleasure
Jeanette MacAuley	Vice Chairperson	May 8, 2001 - at pleasure
Joe Murphy	Director	May 8, 2001 - April 10, 2004
Jim Young*	Acting Director	November 10, 1998 - at pleasure
Reagh Hicken	Treasurer-Director	November 10, 1998 - at pleasure
Steve MacLean	Director	May 8, 2001 - at pleasure
Wayne MacQuarrie	Secretary-Director	May 8, 2001 - at pleasure

* *Acting for Deputy Minister of the Department of Fisheries, Aquaculture and Environment*

3.0 STAFF

During the 2001-2002 fiscal year, Wayne MacQuarrie continued to carry out duties as the Chief Executive Officer of the Energy Corporation and also provided direction to the staff of the Energy and Minerals Section of the Department of Development & Technology. Other staff of the Corporation during the reporting period included Melanie Jackson, administrative assistant to the Chief Executive Officer.

4.0 SUMMARY OF ACTIVITIES

PRINCE EDWARD ISLAND ENERGY CORPORATION

The Corporation staff continued to focus on defining a natural gas development plan for the province during the 2001-2002 fiscal year. Construction of a 5.28 Megawatt wind farm that is owned and operated by the Corporation was completed during this period. Below, is a summary of these activities.

Natural Gas Development Plan

Work continued this past year on the implementation of the Natural Gas Development Plan. Several significant events occurred that further shaped and defined the projects planned to bring natural gas to Prince Edward Island.

Regulatory Process

The Province intervened in the NEB Hearing into the "Interpretation and Application of Article 17" of the Maritimes and Northeast Pipelines Tariff. The Province was concerned that Article 17 failed to provide a mechanism whereby a lateral cost estimate developed by the pipeline company could be challenged. It was the Province's argument that there should be some form of 3rd party review or mediation process enabling potential clients the ability to have a lateral cost estimate of Maritimes and Northeast Pipeline (M&NP) reviewed to determine whether the cost was just and reasonable.

As a result of the Province's intervention, the Board required the pipeline

company to work more closely and cooperatively with the Province in order to arrive at a cost estimate agreeable to both parties. As a result of this directive, the Province and M&NP have come to a general understanding on the cost of a lateral pipeline to Prince Edward Island.

Independent Pipeline Lateral Cost Estimate

As part and parcel of the work to come to an agreement on pipeline costs with M&NP, the Energy Corporation hired an independent consultant to develop a detailed estimate for a natural gas pipeline to Prince Edward Island. The Cook Group of Ontario completed a preliminary estimate for pipeline construction, environmental effects and regulatory costs for a natural gas pipeline (with a sub-sea component) from the M&NP mainline near Baie Verte, New Brunswick to Borden, PEI with smaller spur lines to Summerside, New Annan and Charlottetown. This work was completed in December, 2001 and, as a result, the Energy Corporation and M&NP have been able to come to a general understanding in regards to the potential cost of building a lateral to PEI.

On-Island Natural Gas Development Projects

During this time, work continued on the development of the gas-fired electrical generation projects, to be spearheaded by Westcoast Power and Maritime Electric, and the natural gas distribution system which is being initiated by the Energy Corporation.

Construction of the North Cape Wind Farm

After receiving regulatory approvals in Spring 2001, construction activities commenced on this $9 million project. Preliminary activities included erecting a 28 kilometre, 69 kilovolt line from North Cape to the nearest substation at Huntley, PEI over an established utility corridor, installing a transformer pad and constructing a network of 3 kilometres of roads at the site to provide access to turbine foundation locations. This work was completed by mid Summer 2001. An underground distribution system that linked individual turbine transformers with the main transformer pad was constructed during road building activities.

Over a three-week period beginning in late July 2001, foundations for the eight wind turbine were completed. Each foundation measures 12.5 metres by 12.5 metres and contains about 17 tonnes of reinforcement steel and over 450,000 kilograms (1,000,000 pounds) of concrete.

Components for the eight V-47 turbines began arriving at the site in September 2001. Erection of the turbines was accomplished with a 450 ton crane with a 160 foot boom and 30 feet of jib. A 75 ton crane was also required for lighter lifting activities, including the erection of the larger crane.

On November 16, 2001, the North Cape facility was commissioned and became Atlantic Canada's first wind farm. It is expected that the eight, V-47 wind turbines will supply 2% of Prince Edward Island's electricity requirements and, because wind power is a zero-emitting energy source, will displace 15,000 tonnes of greenhouse gas emissions each year. The project is listed as an initiative in the province's first Business Plan to reduce greenhouse gases.

Due to excellent cooperation from local contractors, suppliers and designers and exceptional weather conditions during the Summer of 2001, the project was completed under budget by approximately $500,000. Electrical production figures, to date, from the facility have been about 20% higher than originally forecast.

Given the positive experience of constructing the North Cape wind farm and the need to implement further measures to curb greenhouse gas emissions, the Corporation is in the planning stages of Phase II for the site. The budget for installing further capacity at North Cape should be less because expensive fixed costs associated with the infrastructure including the transmission line, access roads and the substation have already been incurred.

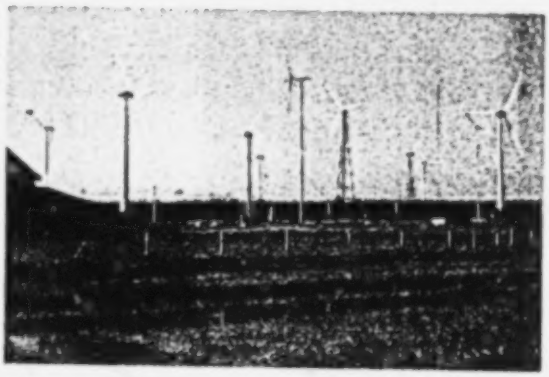
ATLANTIC WIND TEST SITE

The Atlantic Wind Test Site (AWTS) is a subsidiary of the Prince Edward Island Energy Corporation. Established in 1980 as Canada's National Wind Energy Laboratory, AWTS has become the country's premiere research and development facility for wind energy. Funding for AWTS is obtained from the Governments of Prince Edward Island and Canada, as well as from contract work for research and testing wind technology.

Activities at AWTS during this reporting period have encompassed four strategic areas as described below:

Testing

The testing of wind turbines was the initial reason for establishing AWTS, and testing continues as an important activity. Several wind turbines that are now available to the Canadian market were first tested at the North Cape site. Some of these turbines have remained in operation at AWTS for long term testing and for use in other development programs.



Turbines that are being tested and evaluated include:

Lagerwey 18/80: Dutch Industries of Regina, Saskatchewan is marketing Lagerwey wind turbines in Canada. A Lagerwey 18/80 was installed in 1993 and continues to provide long term operating experience. This unit is also being used for advanced inverter and control system technology development.

Atlantic Orient Corporation 15/50: AWTS has been operating an AAC 15/50, 65 kilowatt turbine since 1993. This turbine is of interest for Canadian applications because it is suitable for remote community installations. This Vermont-based company has a Canadian subsidiary for manufacturing machines for Canadian and world markets.

Wenvor-Vergnet Canada 7/25: Wenvor Technologies, an Ontario wind turbine manufacturer, in collaboration with Vergnet SA from France, is working with AWTS to evaluate and further develop their 25 kilowatt wind turbine for both the Canadian and export markets.

Vergnet GEV 15/60 and Vergnet GEV 7/10: During this reporting period, AWTS completed successful negotiations with Vergnet SA to install and test these 60 kilowatt and 10 kilowatt wind turbines. It is expected that the turbines will be erected in May 2002.

Technology Development

Technology development continues to be an important element of AWTS activity. Two notable projects have been under development during the past several years.

The integration of fuel-saving wind turbines with diesel generating sets is a significant innovation for remote community electrical systems, and Canada has advanced technology under development. AWTS has developed Canada's only wind-diesel test bed which has allowed the facility to test and formulate wind-diesel configurations and control systems to achieve reliable and smooth operation.

Reliable and economic wind-diesel systems, with good power quality, requires computerized control. To meet this challenge, AWTS has developed an advanced Wind-Diesel Integrated Control System (WDICS) which will be installed in a demonstration project in the near future.

Curbing greenhouse gas emissions has increased the opportunities for applying wind-diesel technology. An application is being prepared for the Technology Early Action Measures (TEAM) under the Climate Change Action Fund. If accepted, a wind-diesel project for western Newfoundland will be developed, utilizing the technology advanced at AWTS.

Another innovative project that had been under study at AWTS was the Vertical Axis Wind Turbine (VAWT). This design, pioneered in Canada over twenty years ago, has many key advantages, such as convenient access at ground level

for maintenance. Vertical axis wind turbines also do not require a yawing system to align the wind turbine with the wind direction. AWTS computer modelled and fabricated a "dynamically soft" design, using non-rigid supports. However, the VAWT project has been suspended due to lack of resources.

Collaborative Research & Development

AWTS continues to expand collaborations with other institutions and the private sector to advance technology development. Combining the strengths of AWTS with that of other groups greatly enhances the rate and quality of developments.

Over the years, AWTS has collaborated with the University of New Brunswick's Department of Electrical and Computer Engineering Department in a number of projects. These efforts have resulted in the design and testing of several innovative new inverters that efficiently convert variable wind and solar power to stable, utility-grade electrical power. The collaboration has also produced a 50 kilowatt direct drive generator that may be used with vertical axis wind turbines. The university's research and development program for renewable energy has been enhanced by its recently constructed laboratory facility on the AWTS site.

Public Information

AWTS serves as a primary source of technical information for the government and private sectors. During the year, AWTS hosted several renewable energy engineers, scientists and enthusiasts. The North Cape facility and surrounding area continues to grow as a popular tourist destination and 60,000 visitors are expected this year.

5.0 FINANCIAL STATEMENTS

The non-consolidated and consolidated financial statements for the year ending March 31, 2002 as prepared by the auditors of the Energy Corporation and the Atlantic Wind Test Site follow:

Non-consolidated Financial Statements of

PRINCE EDWARD ISLAND ENERGY CORPORATION

Year ended March 31, 2002

AUDITORS' REPORT TO THE DIRECTORS

We have audited the non-consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 2002 and the non-consolidated statements of earnings - operating, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles, except that they are prepared on a non-consolidated basis as disclosed in note 1(a).

Beaton Fitzpatrick Murray

Chartered Accountants

Charlottetown, P.E.I.
May 8, 2002

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Balance Sheet

March 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	$ 445,092	$ 67,291
Accounts receivable (note 2)	662,073	3,721
Deposit and engineering costs - Wind Farm	-	1,226,684
	1,107,165	1,297,696
Investment in The Atlantic Wind Test Site Inc.	1	1
Capital assets (note 3)	8,719,170	-
	$ 9,826,336	$ 1,297,697
Liabilities and Surplus		
Current liabilities:		
Bank indebtedness	$ -	$ 1,200,000
Accounts payable and accrued liabilities	130,467	56,193
Current portion of long-term debt	388,671	-
	519,138	1,256,193
Long-term debt (note 4)	8,816,783	-
Surplus	490,415	41,504
Commitments (note 7)		
	$ 9,826,336	$ 1,297,697

See accompanying notes to non-consolidated financial statements.

On Behalf of the Board:

Director

Director

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings - Operating

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Grants - Province of Prince Edward Island	$ 233,408	$ 231,908
Income - projects	79,492	67,592
Wind Farm (page 9)	1,027,013	-
	1,339,913	299,500
Expenses:		
Projects - regular	79,492	67,592
- Wind Farm (page 9)	578,087	-
Administration:		
Advertising	128	587
Audit	2,448	1,633
Consulting fees	64,764	22,494
Interest and bank charges	-	2,209
Materials and supplies	1,844	904
Miscellaneous	200	220
Office and computer equipment	4,982	4,690
Office supplies	726	696
Professional fees	12,166	18,442
Telephone	2,617	2,651
Travel	12,164	10,573
Vehicle allowance	7,698	6,785
Wages and employee benefits	127,998	120,222
	895,314	259,698
Earnings before the undernoted	444,599	39,802
Other income - interest	4,312	1,702
Net earnings	$ 448,911	$ 41,504

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Surplus

Year ended March 31, 2002, with comparative figures for 2001

		2002		2001
Surplus, beginning of year	$	41,504	$	-
Earnings - operating for the year (page 2)		448,911		41,504
		490,415		41,504
Contributions to the Province of Prince Edward Island		-		-
Surplus, end of year	$	490,415	$	41,504

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash flows from operating activities:		
Cash receipts from customers	$ 681,562	$ 302,809
Cash paid to suppliers and employees	(384,952)	(227,692)
Interest received	4,312	1,702
Interest paid	(250,572)	(2,209)
	50,350	74,610
Cash flows from investing activities:		
Decrease (increase) in deposit and engineering costs	1,226,684	(1,226,684)
Purchase of capital assets	(8,904,686)	-
	(7,678,002)	(1,226,684)
Cash flows from financing activities:		
Repayments on long-term borrowings	(154,547)	-
Proceeds from long-term borrowings	9,360,000	-
	9,205,453	-
Net increase (decrease) in cash and equivalents	1,577,801	(1,152,074)
Cash and equivalents, beginning of year	(1,132,709)	19,365
Cash and equivalents, end of year	$ 445,092	$ (1,132,709)
Represented by:		
Cash	445,092	67,291
Bank indebtedness	-	(1,200,000)
	$ 445,092	$ (1,132,709)

See accompanying notes to non-consolidated financial statements.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Notes to Non-consolidated Financial Statements

Year ended March 31, 2002

The Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The Corporation's principal business activities include the development and promotion of energy systems.

1. Significant accounting policies:

(a) Non-consolidated financial statements:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles except that they have not been consolidated with those of the Corporation's subsidiary.

The investment in the subsidiary is accounted for by the cost method, whereby income of the subsidiary is recorded in the accounts only to the extent of dividends received during the year.

The Canadian Institute of Chartered Accountants has recommended that financial statements prepared for issuance to shareholders should normally be prepared on a consolidated basis. In addition, the C.I.C.A. has recommended that the equity method be used to account for investments in companies over which the corporation is able to exercise significant influence. However, in this case, the shareholders have access to all pertinent information concerning the resources and results of operations of the corporation and its subsidiary as a group, and they have unanimously agreed that they do not require consolidated financial statements for presentation at the annual meeting of the shareholders. In addition, they have unanimously agreed that they do not require the investment in the associated company to be accounted for by the equity method. Accordingly, the accounts of the subsidiary have not been prepared on a consolidated basis, and the investment in the associated company has not been accounted for by the equity method. As these financial statements have not been prepared for general purposes, some users may require further information.

Consolidated financial statements have been prepared separately.

(b) Capital assets:

Capital assets related to the North Cape Wind Generating Plant are recorded at cost. Office furniture and equipment and computer equipment are fully expensed in the year of acquisition. The amount expensed during the year ended March 31, 2002 was $ 4,941. (2001 - $ 4,690.).

1. Significant accounting policies (continued):

Depreciation is provided using the straight-line method at the following annual rate:

Asset	Rate
Wind Farm	20 years

(c) Financial instruments:

The Corporation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(d) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Accounts receivable:

	2002	2001
Maritime Electric	$ 264,680	$ 518
Province of P.E.I.	11,700	-
G S T.	385,693	3,203
	$ 662,073	$ 3,721

3. Capital assets:

	Cost	Accumulated depreciation	2002 Net book value
Wind Farm	$ 8,904,685	$ 185,515	$ 8,719,170
	$ 8,904,685	$ 185,515	$ 8,719,170

4. Long-term debt:

	2002
Bank of Montreal, 6.6%, payable in equal monthly payments of principal and interest of $ 82,051., due October 2016, secured by signed commitment letter and Province of Prince Edward Island Order in Council guaranteeing full amount of loan	$ 9,205,454
Less current portion of long-term debt	388,671
	$ 8,816,783

The aggregate maturities of long-term debt for each of the five years subsequent to March 31, 2002 are as follows: 2003 - $ 388,671.; 2004 - $ 415,113.; 2005 - $ 443,355.; 2006 - $ 473,517.; and 2007 - $ 505,733.

5. Government funding:

The total amount of funding authorized by the Province of Prince Edward Island for the March 31, 2002 fiscal year was $ 312,900. (2001 - $ 299,500.). Of the total amount authorized, the Prince Edward Island Energy Corporation used $ 312,915. (2001 - $ 257,996.).

6. Related party transactions:

The Corporation has a wholly owned subsidiary, The Atlantic Wind Test Site Inc., which conducts wind energy research on Prince Edward Island. The investment consists of 5,000 common shares without nominal or par value.

Included in regular project expenses are payments of $ 79,492. (2001 - $ 67,592.) to the subsidiary. Included in accounts payable and accrued liabilities is $ 46,162. (2001 - $ Nil.) which represents amounts payable by the Corporation to its subsidiary at March 31, 2002. The Corporation also paid $ Nil. (2001 - $ 53,143.) in engineering costs to The Atlantic Wind Test Site Inc. and this is included in deposit and engineering costs. With regard to the North Cape Wind Generating Plant, the Corporation paid $ 322,023. to its subsidiary to assist in the establishment of the Wind Farm.

The above transactions have been measured at fair value as determined by management.

7. Commitments:

The Corporation has entered into an agreement with The Atlantic Wind Test Site Inc. to pay 3% of gross annual revenues with regard to the North Cape Wind Generating Plant as a Capital Investment Contribution. The contribution is payable at the beginning of each fiscal year and is based on the previous year's energy generation and electrical revenue. The contribution for the 2002 year was $ 30,810. (2001 - $ Nil.).

8. Capitalized interest:

Interest in the amount of $ 97,445. directly relating to the Wind Farm was capitalized during the construction period.

9. Off-balance sheet financial instruments:

To manage its current and anticipated exposure to interest rate risks, the Corporation has entered into an interest rate swap contract whereby it has fixed the interest rate on a total of $ 9,360,000. of notional principal against the floating interest position assumed by the Bank of Montreal. The swap contract has an effective interest rate of 6.6% and will mature in October 2016.

PRINCE EDWARD ISLAND ENERGY CORPORATION

Non-consolidated Statement of Earnings - Wind Farm

Year ended March 31, 2002

		2002
Revenue:		
Maritime Electric	$	977,013
Wind Farm - other		50,000
		1,027,013
Expenses:		
Amortization		185,515
Capital contributions		30,810
Electricity		4,563
Insurance		10,612
Interest on long-term debt		306,515
Miscellaneous		280
Repairs and maintenance		8,553
Service and warranty fees		31,239
		578,087
	$	448,926

See accompanying notes to non-consolidated financial statements.

Consolidated Financial Statements of

PRINCE EDWARD ISLAND ENERGY CORPORATION

Year ended March 31, 2002

AUDITORS' REPORT

To the Directors of
Prince Edward Island Energy Corporation

We have audited the consolidated balance sheet of Prince Edward Island Energy Corporation as at March 31, 2002 and the consolidated statements of surplus, earnings - operating and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Beaton Fitzpatrick Murray

Chartered Accountants

Charlottetown, P.E.I.
May 23, 2002

PRINCE EDWARD ISLAND ENERGY CORPORATION
Consolidated Balance Sheet

March 31, 2002, with comparative figures for 2001

	2002	2001
ASSETS		
Current assets:		
Cash	$ 568,970	85,843
Accounts receivable	891,637	253,924
Holdbacks receivable	21,620	36,175
Prepaid expenses	2,496	2,172
Work in progress	6,389	3,148
Restricted cash	8,901	8,777
Deposit and engineering costs - Wind Farm	-	1,226,684
	1,500,013	1,616,723
Capital assets (note 2)	8,719,170	-
	$10,219,183	1,616,723
LIABILITIES AND SURPLUS		
Current liabilities		
Bank indebtedness	$ -	1,200,000
Accounts payable and accrued liabilities	207,345	198,061
Royalties payable (note 3)	126,650	64,936
Deferred revenue - projects	79,531	51,708
Current portion of long-term debt	388,671	-
-		
	802,197	1,514,705
Long-term debt (note 4)	8,816,783	-
Reserve for equipment	99,148	68,337
Surplus (note 5)	501,055	33,681
Contingency (note 5)		
	$10,219,183	1,616,723

See accompanying notes to consolidated financial statements

On Behalf of the Board:

_____ Director _____ Director

PRINCE EDWARD ISLAND ENERGY CORPORATION
Consolidated Statement of Surplus

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Surplus (deficit), beginning of year	$ 33,681	(25,352)
Earnings - operating for the year (page 3)	467,374	59,033
	501,055	33,681
Contribution to Province of Prince Edward Island	-	-
Surplus, end of year	$ 501,055	33,681

See accompanying notes to consolidated financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Consolidated Statement of Earnings - Operating

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenues:		
Grants - Province of Prince Edward Island	$ 312,900	299,500
- Government of Canada	232,608	236,006
Wind Farm	1,027,013	-
	1,572,521	535,506
Expenses:		
Advertising	128	587
Audit	7,433	5,508
Consulting fees	67,746	48,326
Heat and lights	7,809	8,304
Insurance	5,472	4,819
Interest and bank charges	12,596	1,123
Lightning strike	1,362	-
Materials and supplies	9,554	3,106
Miscellaneous	5,485	4,947
Office and computer equipment	8,501	12,022
Office supplies	7,254	5,960
Operations and maintenance	675	6,894
Professional fees	12,166	18,442
Telephone	7,744	6,958
Travel	22,221	20,749
Vehicle allowance	7,698	6,785
Wages and levies	364,561	336,919
Wind Farm	578,087	-
Wenvor Vergnet 2002	12,688	-
	1,139,180	491,449
Earnings before the undernoted	433,341	44,057
Earnings - projects	29,721	13,274
Other income (note 6)	4,312	1,702
Net earnings	$ 467,374	59,033

See accompanying notes to consolidated financial statements

PRINCE EDWARD ISLAND ENERGY CORPORATION

Consolidated Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash flows from operating activities:		
Cash receipts from customers	$ 1,459,718	732,645
Cash paid to suppliers and employees	(1,075,871)	(598,124)
Interest received	4,312	1,702
Interest paid	(263,169)	(3,332)
	124,990	132,891
Cash flows from investing activities:		
Decrease (increase) in deposit and engineering costs - Wind Farm	1,226,684	(1,226,684)
Purchase of capital assets	(8,904,686)	-
	(7,678,002)	(1,226,684)
Cash flows from financing activities:		
Repayments on long-term borrowings	(154,547)	-
Proceeds from long-term borrowings	9,360,000	-
Increase in reserve for equipment	30,810	-
	9,236,263	-
Net increase (decrease) in cash	1,683,251	(1,093,793)
Cash, beginning of year	(1,105,380)	(11,587)
Cash, end of year	$ 577,871	(1,105,380)
Represented by		
Cash	$ 568,970	85,843
Restricted cash	8,901	8,777
Bank indebtedness	-	(1,200,000)
	$ 577,871	(1,105,380)

See accompanying notes to consolidated financial statements

Prince Edward Island Energy Corporation is a Crown corporation established by the Energy Corporations Act. The company's principal business activities include the development and promotion of energy systems.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the corporation's 100% owned subsidiary, The Atlantic Wind Test Site Inc.

(b) Work in progress:

Work in progress is stated at the lower of cost and net realizable value.

(c) Capital assets:

Capital assets related to the North Cape Wind Generating Plant are recorded at cost. Office furniture and equipment and computer equipment are fully expensed in the year of acquisition.

Depreciation is provided using the straight-line method at the following annual rate:

Asset	Rate
Wind Farm	20 years

(d) Financial instruments:

The Corporation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(e) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Capital assets:

	Cost	Accumulated depreciation	2002 Net book value
Wind Farm	$ 8,904,685	$ 185,515	$ 8,719,170
	$ 8,904,685	$ 185,515	$ 8,719,170

3. Royalties payable:

Royalties payable represents amounts due to Natural Resources Canada in accordance with the provisions of a licensing agreement which came into effect April 1, 1995. Royalties requirements are based on consulting fees and other revenues earned by the company from contracts with third parties.

4. Long-term debt:

	2002
Bank of Montreal, 6.6%, payable in equal monthly payments of principal and interest of $ 82,051., due October 2016, secured by signed commitment letter and Province of Prince Edward Island Order in Council guaranteeing full amount of loan	$ 9,205,454
Less current portion of long-term debt	388,671
	$ 8,816,783

The aggregate maturities of long-term debt for each of the five years subsequent to March 31, 2002 are as follows: 2003 - $ 388,671.; 2004 - $ 415,113.; 2005 - $ 443,355.; 2006 - $ 473,517.; and 2007 - $ 505,733.

5. Contingency:

The Atlantic Wind Test Site Inc. receives cost-shared funding under an operating agreement with Natural Resources Canada. This agreement includes provisions which require the pro-rata repayment of any surplus in the event that activities of the Test Site are terminated. The company has a surplus as of March 31, 2002 of $ 10,640.

6. Other income:

	2002	2001
Interest	$4,312	1,702
	$4,312	1,702

7. Capitalized interest:

Interest in the amount of $ 97,445. directly relating to the Wind Farm was capitalized during the construction period.

8. Off-balance sheet financial instruments:

To manage its current and anticipated exposure to interest rate risks, the Corporation has entered into an interest rate swap contract whereby it has fixed the interest rate on a total of $ 9,630,000. of notional principal against the floating interest position assumed by the Bank of Montreal. The swap contract has an effective interest rate of 6.6% and will mature in October 2016.

9. Comparative numbers:

Prior period numbers presented for comparative purposes have been restated to conform with the 2002 financial statement presentation.